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Message Text

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45
ACTION ARA-10

INFO OCT-01 ISO-00 CIAE-00 DODE-00 PM-04 H-02 INR-07 L-03

NSAE-00 NSC-05 PA-01 PRS-01 SP-02 SS-15 USIA-06

AID-05 COME-00 EB-07 FRB-03 XMB-02 OPIC-03 CIEP-01

LAB-04 SIL-01 OMB-01 IO-10 /094 W
---------- 114704
R 022340Z OCT 75
FM AMEMBASSY MEXICO
TO SECSTATE WASHDC 0325
INFO TREASURY WASHDC

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E.O. 11652: N/A
TAGS: EFIN, MX
SUBJECT: VIEWS OF NEW TREASURY SECRETARY

1. SUMMARY: MARIO RAMON BETETA, NEW TREASURY SECRETARY, GAVE INFORMAL TALK TO COMMERCIAL AND ECONOMIC OFFICERS' ASSOCIATION LUNCHEON ON OCTOBER 2, FOLLOWING WHICH HE HELD FIRST MEETING WITH PRESIDENT AND PRESS CONFERENCE. BETETA IMPRESSED LUNCHEON GROUP WITH HIS CANDOR AND WHAT APPEARED TO BE CONSERVATIVE APPROACH TO MEXICO'S FINANCIAL PROBLEMS. HE EMPHASIZED DANGERS OF INFLATION, NEED TO CONSTRAIN GROWTH TO REDUCE INFLATIONARY PRESSURES AND NEED TO INCREASE SAVINGS IN ORDER TO FINANCE GROWTH IN NON-INFLATIONARY WAY. AT END, HE TOLD LUNCHEON GROUP HE WAS PRACTICING HIS ARGUMENTS TO PRESIDENT. END SUMMARY.

2. BETETA BEGAN BY SAYING THAT MEXICO IS NOT A PARLIAMENTARY SYSTEM AND AS SECRETARY OF TREASURY HE DID NOT MAKE POLICY, BUT ONLY EXECUTED POLICY MADE BY THE PRESIDENT. HE SAID LATER ON THAT HE COULD INFLUENCE IT.

3. BETETA SAID THAT CREATION OF JOBS AND IMPROVED INCOME
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DISTRIBUTION PATTERNS WERE BASIC ECONOMIC OBJECTIVES, BUT

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NOT AT EXPENSE OF CONTINUED INFLATION. HE ALSO SAID THAT IT WOULD BE NECESSARY TO INCREASE TAXES AS A PERCENTAGE OF GROSS DOMESTIC PRODUCT BUT THAT THE TREASURY HAD NO SPECIFIC PLANS FOR INCREASING TAXES OR INTRODUCING NEW TAXES AT THIS TIME. THE SUBJECT WOULD RECEIVE HIS PRIORITY ATTENTION.

4. HE EXPRESSED CONCERN OVER THE IMPACT OF INFLATION, SAYING THAT AN EXCESSIVE RATE OF INFLATION (WHICH HE IMPLIED THAT MEXICO HAS) LEADS TO RECESSION/DEPRESSION AND A SHRINKING OF JOB OPPORTUNITIES. HE ALSO SAID IT WOULD PROBABLY NOT BE POSSIBLE TO INCREASE THE RATE OF ECONOMIC GROWTH IN 1976 FROM THIS YEAR'S ESTIMATED 4 PERCENT BECAUSE DOING SO, THROUGH PUBLIC SECTOR SPENDING, WOULD FURTHER AGGRAVATE INFLATION. PRICE INFLATION THIS YEAR, HE SAID, WOULD BE ABOUT 14 PERCENT, OR TWO THIRDS OF WHAT IT WAS IN 1974. THIS APPARENTLY REFERS TO THE DECEMBER-DECEMBER CHANGE IN THE CONSUMER PRICE INDEX.

4. BETETA AFFIRMED HIS SUPPORT FOR THE PRESENT DOLLAR-PESO PARITY. HE EVADED A QUESTION ON THE SIZE OF MEXICO'S EXTERNAL DEBT, SAYING ONLY THAT MEXICO'S ABILITY TO ABSORB LOANS IS LARGELY GOVERNED BY WILLINGNESS OF BANKS TO LOAN. SO LONG AS THEY OFFER MONEY, IT MUST MEAN THAT MEXICO CAN HANDLE THE PAYMENTS, WHICH THEY HAVE ALWAYS DONE IN THE PAST. HE DID SAY THAT HE WOULD LIKE TO SEE NO INCREASE IN THE EXTERNAL DEBT. THROUGHOUT HIS SPEECH HE EMPHASIZED THE NEED FOR GREATER SAVINGS. HE ALSO NOTED MEXICO'S "UNIQUE" MIXED ECONOMY, QUOTING FROM ECHEVERRIA'S COMMENTS TO CASTRO THAT WHILE MEXICO IS NOT A COMPLETELY CAPITALIST COUNTRY, IT IS IN NO WAY A SOCIALIST ECONOMY. FISCAL POLICY SHALL ENCOURAGE PRIVATE INVESTMENT, DOMESTIC AND FOREIGN. HE CALLED FOR GREATER FISCAL RESPONSIBILITY BY PUBLIC SECTOR SAVING OPPOSITE IS EQUIVALENT TO EMBEZZLEMENT OF THE PEOPLE.

5. BETETA'S MEETING WITH THE PRESIDENT APPARENTLY WENT WELL BECAUSE HIS REMARKS AT SUBSEQUENT PRESS CONFERENCE REITERATED MANY OF THE POINTS HE MADE TO LUNCHEON GROUP. HE SAID 1976 BUDGET WOULD NOT AGGRAVATE INFLATIONARY PRESSURES, BUT THAT SPENDING WOULD BE DIRECTED TO AREAS
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THAT IN SHORT TERM COULD LEAD TO INCREASED OUTPUT AND JOB OPPORTUNITIES. BETETA ALSO TOLD PRESS CONFERENCE THAT WHILE HE WOULD FOLLOW HIS PREDECESSOR'S GENERAL POLICIES, HE WOULD MAKE CHANGES AS CIRCUMSTANCES REQUIRED. REGARDING FISCAL POLICY, BETETA SAID LONG TERM OBJECTIVE WAS BETTER DISTRIBUTION OF INCOME AND SHORT-TERM OBJECTIVE WAS TO INCREASE GOVERNMENT REVENUE TO MEET REQUIREMENTS FOR BETTER EDUCATION, ETC., BUT THAT IT ESSENTIAL TO INCREASE

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ACTIVITY OF ALL SECTORS OF THE ECONOMY. HE ADDED THAT
FISCAL POLICY SHOULD IN NO WAY DISCOURAGE PRIVATE ACTIVITY.
JOVA

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